

TAX RELIEF IN THE 2017 SESSION COSTS MATTER



Pass-through Business Income Tax

The United for Jobs Coalition supports lowering the cost of doing business in Minnesota and improving Minnesota's business climate by reducing income taxes on business owners who report business income on their personal income tax return. **Our top rate is 2nd highest at some incomes and 3rd highest overall.** Minnesota needs a competitive business environment to strengthen all types and sizes of businesses and to grow our economy. The state's cost competitiveness has dropped to among the worst in the nation due in large part to our individual income taxes.

92% of Minnesota businesses
pay their business taxes through the individual income tax system.

The vast majority of businesses, including our smallest and newest businesses are sole proprietors, limited liability companies, partnerships and S-corporations. These businesses "pass through" business income to the owner's personal income tax return, making the personal income tax a key factor in state's business climate. Business pass-through income is taxed even if it is retained within the business for reinvestment. Studies have found that high marginal income-tax rates have a detrimental impact on business investment decisions, entrepreneurial activities, and recruitment of talent – the very items needed for economic growth.

- Minnesota pass-through businesses pay marginal state and federal tax rates of nearly 50% which is 5th highest in the nation.
- Reducing taxes on business income would increase dollars available for reinvestment in their businesses and their employees, especially for small and mid-sized businesses with limited avenues to raise capital.
- In recent Minnesota Business Barometer Survey, 62% of respondents said high taxes in Minnesota are one of the two biggest barriers to job creation.
- Minnesota business tax climate has worsened due to 2013 income tax increases and now ranks 47th worst state in 2016 Small Business Tax Index and 46th worst Tax Foundation 2017 Business Tax Climate Index.
- Pass-through businesses are an important and growing part of economy as 54% of net business income is from pass-through businesses and 56% of private-sector workforce.

A blue, jagged-edged graphic shape pointing upwards, containing the text "IT'S A FACT!" in large, bold, yellow capital letters.

**IT'S A
FACT!**

**56% of
private-sector
employees are
employed by
Minnesota
pass-through
companies**

Urge Legislators and the Governor to support a meaningful tax reduction for pass-through entities. This will allow businesses to reinvest in their companies and employees, improve competitiveness, and help grow Minnesota jobs and our economy.

United for Jobs Coalition

Albert Lea-Freeborn County Chamber of Commerce
Apple Valley Chamber of Commerce
Associated Builders & Contractors
Austin Area Chamber of Commerce
Belle Plaine Chamber of Commerce
Bemidji Area Chamber of Commerce
Brainerd Lakes Chamber
Building Owners & Managers Association
(BOMA) Duluth
Building Owners & Managers Association
(BOMA) Greater Minneapolis
Building Owners & Managers Association
(BOMA) Greater St. Paul
Burnsville Chamber of Commerce
Central Minnesota Manufacturers Association
Cloquet Area Chamber of Commerce
Dakota County Regional Chamber of Commerce
Duluth Area Chamber of Commerce
Eden Prairie Chamber of Commerce
Elk River Area Chamber of Commerce
Faribault Area Chamber of Commerce & Tourism
Fergus Falls Area Chamber of Commerce
Grand Rapids Area Chamber of Commerce
Hastings Area Chamber of Commerce
& Tourism Bureau
Hibbing Area Chamber of Commerce
I-94 West Chamber of Commerce
Independent Community Bankers of Minnesota
Insurance Federation of Minnesota
International Falls Area Chamber of Commerce
Iron Mining Association of Minnesota
Lake City Chamber of Commerce
Laurentian Chamber of Commerce
LifeScience Alley
Litchfield Chamber of Commerce
Lonsdale Chamber of Commerce
Marshall Chamber of Commerce
Metalcasters of Minnesota
MetroNorth Chamber of Commerce
Midwest Food Processors Association
Minnesota Agri-Growth Council, Inc.
Minnesota Association of REALTORS
Minnesota Bankers Association

Minnesota Beverage Association
Minnesota Business Partnership
Minnesota Cable Communication Association
Minnesota Chamber of Commerce
Minnesota Dental Association
Minnesota Forest Industries
Minnesota Grocers Association
Minnesota Lodging Association
Minnesota Mechanical Contractors Association
Minnesota Milk Producers Association
Minnesota Nursery & Landscape Association
Minnesota Pork Producers Association
Minnesota Precision Manufacturers Association
Minnesota Resort and Campground Association
Minnesota Restaurant Association
Minnesota Retailers Association
Minnesota Shopping Center Association
Minnesota Society of CPAs
Minnesota Trucking Association
NAIOP, the Commercial Real Estate
Development Association
National Federation of Independent Business
New Ulm Area Chamber of Commerce
North Hennepin Area Chamber of Commerce
Owatonna Area Chamber of Commerce & Tourism
Printing Industry Midwest
Redwood Area Chamber & Tourism
Richfield Chamber of Commerce
River Heights Chamber of Commerce
Rochester Chamber of Commerce
St. Cloud Area Chamber of Commerce
Shakopee Chamber & Visitors Bureau
SouthWest Metro Chamber of Commerce
Tri-State Manufacturing Association
Twin Cities North Chamber of Commerce
TwinWest Chamber of Commerce
Waconia Chamber of Commerce
Waseca Area Chamber of Commerce
White Bear Area Chamber of Commerce
Willmar Lakes Area Chamber of Commerce
Winona Area Chamber of Commerce
Worthington Area Chamber of Commerce

Help us build grassroots support. Share how high pass-through income taxes impact your company. Contact Jennifer Byers to schedule a legislator plant tour and/or testimonial at 651.292.4673 or jbyers@mnchamber.com.